

## Kansas City, Missouri Code of Ordinances, Chapter 2, Article XIV

### Sec. 2-1970. Revenue policy

- (a) *Policy.* It is the policy of the City to maintain a revenue system that meets the City's immediate and long-term service delivery needs, protects the City's creditworthiness, and follows best practices for administration and collection. The City's revenue policy is the official guideline to be used by the City Council and City management in conjunction with the City's budgeting and financial planning efforts.
- (b) *Authority.* Authority to execute and manage the collection and administration of the City's taxes, fees and assessments is derived from the Missouri Constitution, the Revised Statutes of Missouri, the Charter of Kansas City Missouri, and the Code of Ordinances, City of Kansas City, Missouri. Management responsibility for the City's revenue policy is hereby delegated to the Director of Finance.
- (c) *Scope.* The revenue policy shall be inclusive of all revenue sources of the City. The policy incorporates recommended best practices of the Government Finance Officers Association ("GFOA") and the National Advisory Council on State and Local Budgeting ("NACSLB").
- (d) *Objectives.*
  - (1) To establish policies for reviewing existing and potential revenue streams.
  - (2) To maintain a revenue structure that meets the operational and capital requirements of the City.
  - (3) To set basic guidelines for revenue sources other than taxes and fees.
  - (4) To establish review processes that provide early warning signals regarding revenue fluctuations.
  - (5) To create a structure that is fair, equitable and sufficiently attractive for businesses and residents.
- (e) *Revenue Structure.* The City shall consider, at minimum, the following seven characteristics when weighing any changes to its revenue structure or when evaluating the continued levy of any tax. Dependability shall be the City's primary review consideration followed closely by equity and diversity. Other characteristics, including potential for growth, renewal periods, dedication and ease of administration, shall be considered secondary.
  - (1) *Dependability.* The City shall include taxes and fees in its revenue structure that produce a consistent level of revenue from period to period.
  - (2) *Equity.* The City shall consider the fair distribution of tax burden on businesses and residents when considering new, renewing and continuing revenue sources. Horizontal and vertical equity should be considered when evaluating the distribution of taxes.
  - (3) *Diversity.* The City shall strive to maintain a diversified mix of taxes and fees to protect it from short-term fluctuations in any of its various revenue sources. The City should also support economic policies designed to attract businesses that grow and increase the diversity of its tax base.

- (4) *Growth.* The City shall seek to include revenue streams in its mix of taxes and fees that grow over time at a rate that exceeds the rate of inflation.
  - (5) *Renewals.* In order to reduce volatility, the City shall strive to limit both the dollar amount and number of taxes and fees subject to renewal periods of five years or less. Any newly authorized revenue stream with a sunset ideally shall not be used to fund recurring service delivery costs.
  - (6) *Dedicated/Non Dedicated Revenue.* Whenever possible, the City shall strive to not dedicate a revenue stream to a specific use or program. Dedication or earmarking of revenue streams does not allow the City to respond to changing economic conditions or service expectations and may undermine the City's general credit.
  - (7) *Ease of Administration.* The City revenue mix should facilitate taxpayer compliance and be applied uniformly. Efficiency in administering taxes and fees should also be considered including source and cost of collection.
- (f) *Revenue Estimates.*
- (1) Revenues estimates shall be prepared annually using an objective and analytical approach based on local, regional and national economic trends and their impact on revenue. This process should assist the City in achieving consensus on revenue estimates for the budget.
  - (2) To assist in determining if current programs and service levels can be sustained in the future and to identify potential problems that need to be addressed, the City should also prepare multi-year revenue projections. The forecast period should be three to five years.
  - (3) The City should maintain an in-depth understanding of its major revenue sources to both decrease potential gaps between revenue estimates and actual collections and evaluate potential changes to revenue source rates and bases.
  - (4) The City should periodically estimate the impact of potential foregone revenue due to policies that exempt certain taxpayers or service users from fee or tax payments, provide discounts or credits or otherwise favor particular categories of taxpayers or service users, and any proposed federal, state and local legislative requests impacting taxes and fees.
  - (5) The City shall prepare and maintain a revenue manual that documents revenue sources and factors relevant to present and projected revenue collections.
  - (6) The City should evaluate revenue and expenditure options together, including redirection of tax revenue, and consider the implications for other financial indicators prior to making specific choices with regard to the proposed budget.
- (g) *One-Time and Unpredictable Revenue.* One-time, limited term resources or unpredictable revenue such as proceeds from asset sales, debt refinancing, one-time grants, legal settlements, revenue spikes, budget savings and similar nonrecurring resources shall not be used for current or new ongoing operating expenses. Appropriate uses of one-time and unpredictable revenue include building and maintaining the unallocated reserves in the general fund or other City funds, the early retirement of debt, capital improvements, or capital maintenance expenditures and other non recurring expenditures.

(h) *User Fees and Service Charges.*

- (1) For services that benefit specific users rather than the community as a whole, the City shall establish and collect fees to recover the costs of those services so long as the cost of collection from specific users is not burdensome to the City.
- (2) User fees and charges should reflect the service costs. Components of the user charge shall include operating and capital costs, as well as the direct and indirect costs of providing the service. Full cost charges shall be imposed unless it is determined that policy, legal, hardship on specific users, or market factors would suggest lower fees.
- (3) In circumstances where full charges are not imposed, non-residents shall pay the full cost charge to minimize the tax burden on City residents so long as the cost of collection from non-residents at a different rate is not burdensome to the City.
- (4) User fees shall not exceed the full cost of providing the service.
- (5) Fee increases must be approved prior to or at the time of the adoption of the budget.

(i) *Intergovernmental Revenue.*

- (1) The City will seek available state and federal grants unless conditions attached to the assistance are contrary to the City's interests.
- (2) The City shall strive to avoid using grants to meet ongoing service delivery needs. The City shall review all grant requirements to ensure any grant awarded funds assist the City in fulfilling its primary goals and objectives.
- (3) Grants awarded to the City shall be considered unfunded mandates if the award ceases. Unfunded mandates will undergo review in the context of the City's budget process to determine how well they continue to fulfill the City's primary goals and objectives and if general municipal funds are warranted for continued support.
- (4) The City will budget expenditures for grant funded programs after receipt of the grant award.

(j) *Parking Fees.* Hourly, daily, and monthly contract rates for City-owned parking facilities, meters, etc. shall be reviewed and, if necessary, adjusted annually to reflect market prices of privately-owned parking facilities and location of those facilities. Fee adjustments shall also consider downtown objectives, such as development incentives, space availability, business promotion, traffic control, and mass transit patronage.

(k) *Fines and Forfeitures.* Fines shall be set according to legal guidelines, deterrent effect, administrative costs, and revenue potential.

(l) *Enterprise Operations.*

- (1) User charges for enterprise services such as airports, water, sewer, and stormwater shall be set at rates sufficient to finance all direct and indirect operating, capital, reserve/working capital, and debt service costs. Rates will be set such that these enterprise funds are not in a cash deficit during the year and so that debt covenants and reserve policy requirements are met.
- (2) The general fund will assess an administrative service charge for overhead expenses and general government services provided to the enterprise activities.

(m) *Pooled Investment Portfolio Interest Earnings Allocation.*

- (1) It shall be the policy of the City to allocate pooled investment portfolio interest earnings (interest earnings) in a manner that best serves the interests of the City consistent with applicable laws, ordinances, bond covenants, and contractual commitments.
- (2) For funds with legal or contractual requirements, interest earnings will be distributed monthly in arrears proportionate to each fund's ending cash balance for the previous month compared with the total cash balances of all funds in the pooled investment portfolio. Absent a clear mandate to the contrary, interest earnings will be credited to the general fund. The director of finance or his/her designee shall be responsible for budget preparation and execution of the annual interest earnings allocation.
- (3) To support the costs of managing the City's pooled investment portfolio, the director of finance may charge a management fee to funds participating in the investment pool. The management fee would be stated as a percentage of the interest earnings and deducted from the interest earnings prior to any allocation. Such percentage would be calculated annually so as to fully recover all costs relating to pooled investment operations including staff time, safekeeping, analysis tools, subscriptions, and other costs.

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